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MEMORANDUM FOR: Deputy Director/Intelligence
THROUGH: Assistant Director, Research and Reports
SUBJECT: Preliminary Analysis of the Impact of
Implementing Brezhnev's Agricultural
Plan

1. First Secretary Brezhnev's agricultural plan, revealed at the CPSU Central Committee Plenum on 24 March 1965, is important primarily for two reasons: first, it recognizes the need for a broad, concerted attack on many of the problems that have severely inhibited the productivity of Soviet agriculture in the past; and secondly, it acknowledges that the substantial resources needed to implement the plan can only be provided by cutting budgetary allocations to other priority claimants. The investment part of the plan can be delineated with reasonable clarity. Agriculture's share of state investment is to rise from 15 percent of the total in 1964 to nearly 20 percent by 1970. The non-investment parts of the plan--significantly increased purchase prices to collective and state farms; a cut in the prices charged farms for machinery, fertilizer and other inputs; and increased subsidies in retail food prices are only three of many proposed measures--will also add to the state bill if the agricultural needs of the country are to be met. The latter series of measures are most difficult to quantify, but a preliminary analysis shows that they will be much less costly than the increase in investment even though of significance.

2. While Brezhnev did not specify the claimants whose budgets would be "adjusted" to provide agriculture with its added rubles, some reduction in the rate of

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growth of previously favored components of heavy industry seems probable. Also, while the types of inputs needed to boost agriculture would not seem to require a cut in projected military research and development outlays, it is possible that certain hardware procurement schedules will be adjusted downward.

3. Investment

Of the planned investment outlays of 71 billion rubles (about 79 billion US dollars at the official rate of exchange) in the period 1966-70, the state is to provide about 58 percent and the collective farms the remainder. This is a drastic change; in the Seven-Year Plan period (1959-65) the state unsuccessfully tried to force collective farms to carry about 70 percent of agricultural investment. The present planned state share of investment seems feasible, but it is not so certain that the collective farms will be able to provide their scheduled share. For the collective farms to invest 30 billion rubles during 1966-70, from an estimated level of 3.5 billion in 1965, an average annual increase of 18.5 percent will be necessary. However, the new incentives "guaranteed" the collective farms may succeed in providing the funds needed to stimulate increases in investment at the planned rate. The annual sum required to meet the state's share of investment is to increase from 5.7 billion rubles in 1965 to about 10.2 billion rubles in 1970.

4. About half of state investment, 21 billion rubles, is scheduled for construction and installation work. This includes 80 new agricultural machinery plants at an average cost of about 55 million dollars each. In addition, the plan calls for the construction of 200 repair works and 1,000 specialized workshops as well as the rebuilding of many existing agricultural machinery repair facilities now on state and collective farms.

5. No official data are yet available on the current regime's expectations for total investment in 1970. However, a reasonable acceleration of annual outlays would mean that state agricultural investment will take about 20 percent of total investment in 1970 as compared to 15 percent in 1965. Between 1960 and 1965,

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state non-agricultural investment increased about 40 percent but the rate of industrial growth declined. Our preliminary analysis leads to a tentative estimate that state non-agricultural investment will only increase about 30 percent in the 1966-70 period. If this is confirmed (it is based largely on Khrushchev's earlier statement, made in December 1963, that total state investment would be between 50 and 55 billion rubles in 1970), a further moderate decline in the rate of industrial growth seems probable.

Chief, Economic Research Area
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